

PROVINCE OF SASKATCHEWAN



# 2010

ANNUAL REPORT

**EXTENDED HEALTH CARE  
PLAN FOR CERTAIN OTHER  
RETIRED EMPLOYEES**



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## Table of Contents

Letters of Transmittal .....	2
Introduction.....	3
Advisory Committee Members .....	3
Participating Employers.....	3
Administration .....	3
Funding.....	3
Benefits .....	4
Management's Report .....	5
Financial Statements	
Independent Auditor's Report .....	8
Statement of Financial Position.....	9
Statement of Operations and Net Assets .....	10
Statement of Cash Flows .....	11
Notes to the Financial Statements .....	12

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## Letters of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart  
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the ninth Annual Report of the Extended Health Care Plan For Certain Other Retired Employees for the year ending December 31, 2010.

A handwritten signature in dark ink, appearing to read 'Ken Krawetz'.

Ken Krawetz  
Minister of Finance

The Honourable Ken Krawetz  
Minister of Finance

Sir:

On behalf of the Advisory Committee, I have the honour to transmit herewith the ninth Annual Report of the Extended Health Care Plan For Certain Other Retired Employees for the year ending December 31, 2010.

A handwritten signature in dark ink, appearing to read 'Brian Smith'.

Brian Smith  
Chair

# Extended Health Care Plan For Certain Other Retired Employees

## Introduction

The Extended Health Care Plan For Certain Other Retired Employees was established on January 15, 2002.

The Fund is used to account for the transactions of the Extended Health Care Plan For Certain Other Retired Employees which provides health care benefits to certain out-of-scope retired employees.

As at December 31, 2009, participation in the Plan has been approved by the Lieutenant Governor in Council for out-of-scope retired employees of the Government of Saskatchewan as defined under *The Public Service Act*.

## Advisory Committee Members

Brian Smith, Chair  
Ministry of Finance (PEBA)

Kevin Wilson  
Ministry of Health

Tracey Smith  
Ministry of Health

Don Zerr  
Public Service Commission

Brian Gyoerick  
Public Service Commission

## Participating Employers

The following employers participate in the Extended Health Care Plan for Certain Other Retired Employees:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)  
Chief Electoral Officer (Office of the)  
Children's Advocate (Office of the)  
Enterprise Saskatchewan  
Farm Land Security Board

Global Transportation Hub Authority (The)  
Horned Cattle Fund  
Information and Privacy Commissioner (Office of the)  
Innovation Saskatchewan  
Ombudsman (Office of the)  
Saskatchewan Archives Board  
Saskatchewan Milk Marketing Board  
Saskatchewan Municipal Board  
Technical Safety Authority of Saskatchewan  
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

## Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. An Advisory Committee is responsible for the management and investment of the Fund. The Advisory Committee consists of five representatives as nominated by the Saskatchewan Public Service Commission and appointed by Minister's Order.

The Plan pays a premium subsidy to Group Medical Services who provide insured extended health coverage to eligible retirees. The Plan's risk is limited to the payment of the monthly premium subsidy as follows under the two year contract effective January 1, 2010:

Single	\$14.70 per month
Couple	\$29.40 per month
Family	\$36.75 per month

## Funding

For the period January 1, 2002 to December 31, 2002, the General Revenue Fund (GRF), on behalf of the Plan, paid premium subsidies to Group Medical Services. The amount paid from the GRF was recorded as due to GRF and was repayable with interest.

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This amount was repaid in 2003. Effective July 1, 2003 funding for the Plan became employer paid at a rate of .25% of straight time annual payroll.

#### **Benefits**

A retiree is eligible for benefits immediately following retirement. Claims are paid on behalf of all family members and covers certain health and vision care benefits.

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## Management's Report

To the Members of the Legislative Assembly of Saskatchewan

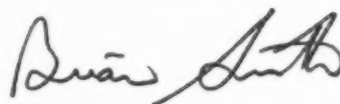
As members of management of the Extended Health Care Plan For Certain Other Retired Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan For Certain Other Retired Employees has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

An Advisory Committee, as nominated by the Public Service Commission and appointed by Minister's Order, has been established and is responsible for reviewing the ongoing operations of the Plan.

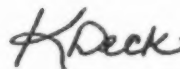
We enclose the financial statements of the Extended Health Care Plan For Certain Other Retired Employees for the year ended December 31, 2010 and the Provincial Auditor's report on these financial statements.



Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency



Perry Bahr  
Director, Benefit Programs  
Public Employees Benefits Agency



Kathy Deck, CGA  
Director, Financial Services  
Public Employees Benefits Agency

Regina, Saskatchewan  
April 6, 2011





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## **Extended Health Care Plan For Certain Other Retired Employees**

### **Financial Statements**

**Year Ended December 31, 2010**

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## Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Extended Health Care Plan for Certain Other Retired Employees, which comprise of the statement of financial position as at December 31, 2010, and the statement of operations and net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Extended Health Care Plan for Certain Other Retired Employees as at December 31, 2010, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan  
April 6, 2011

Bonnie Lysyk, MBA, CA•CIA  
Provincial Auditor

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**Extended Health Care Plan For Certain Other  
Retired Employees  
Statement of Financial Position**

**Statement 1**

**As At December 31**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Due from General Revenue Fund (Note 3)	\$2,516,840	\$2,137,304
Employer contributions receivable	40,281	39,261
Prepaid expenses	<u>-</u>	<u>2,199</u>
	<u>2,557,121</u>	<u>2,178,764</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	<u>606</u>	<u>6,566</u>
 Net assets (Statement 2)	<u>\$2,556,515</u>	<u>\$2,172,198</u>

(See accompanying notes to the financial statements)

**Extended Health Care Plan For Certain Other  
Retired Employees  
Statement of Operations and Net Assets**

**Statement 2**

**For The Year Ended December 31**

	<b>2010</b>		<b>2009</b>
	<b>Budget (Note 7)</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUES</b>			
Employer contributions (Note 1)	\$ 465,000	\$480,471	\$455,021
Interest income (Notes 3 & 4)	15,350	14,303	9,391
	<u>480,350</u>	<u>494,774</u>	<u>464,412</u>
<b>EXPENSES</b>			
Insurance premium subsidy (Note 1)	87,000	84,953	74,536
Administration (Note 6)	22,581	25,504	16,038
	<u>109,581</u>	<u>110,457</u>	<u>90,574</u>
Surplus for the year	370,769	384,317	373,838
NET ASSETS, BEGINNING OF YEAR	<u>2,172,198</u>	<u>2,172,198</u>	<u>1,798,360</u>
NET ASSETS, END OF YEAR (Statement 1)	<u>\$2,542,967</u>	<u>\$2,556,515</u>	<u>\$2,172,198</u>

(See accompanying notes to the financial statements)

**Extended Health Care Plan For Certain Other  
Retired Employees  
Statement of Cash Flows**

**Statement 3**

**For The Year Ended December 31**

	<b>2010</b>	<b>2009</b>
<b>Cash flows from (used in) operating activities:</b>		
Employer contributions received	\$ 479,451	\$ 451,247
Interest income received	14,303	18,536
Insurance premium subsidies paid	(91,519)	(67,970)
Administration expenses paid	(22,699)	(18,436)
<b>Cash flows from operating activities</b>	<b>379,536</b>	<b>383,377</b>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of investments	-	1,651,946
<b>Cash flows from investing activities</b>	<b>-</b>	<b>1,651,946</b>
Net increase in due from General Revenue Fund	379,536	2,035,323
 DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	 2,137,304	 101,981
DUE FROM GENERAL REVENUE FUND, END OF YEAR	\$2,516,840	\$2,137,304

(See accompanying notes to the financial statements)

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## **Extended Health Care Plan For Certain Other Retired Employees Notes to the Financial Statements**

**December 31, 2010**

### **1. Description of the Plan**

The Extended Health Care Plan for Certain Other Retired Employees (Plan) was established on January 15, 2002 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to eligible out-of-scope retired employees of the Government of Saskatchewan.

The Government, through the Minister of Finance, has entered into an agreement with an insurance company to provide eligible retirees with extended health coverage. The retirees are responsible to pay the insurance company the premiums set out in the agreement less a premium subsidy which is paid by the Plan. The Plan's risk is limited to the payment of a monthly premium subsidy to the insurance company for eligible retirees. The monthly premium subsidy for the year was \$14.70 for a single policy, \$29.40 for a couple policy and \$36.75 for a family policy.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. Funding for the Plan commenced July 1, 2003. The Minister of Finance approved a contribution rate of 0.25% of the regular pay of current out-of-scope employees.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Advisory Committee. The Advisory Committee is made up of employers' representatives appointed by Minister's Order.

### **2. Significant Accounting Policies**

Pursuant to standards established by the Public Sector Accounting Board, the Plan is classified as an 'other government organization'. These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to for-profit entities. The following accounting policies are considered significant.

#### **a) Employer Contributions**

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

#### **b) Interest Revenue**

Interest is recognized as income when earned.

#### **c) Financial Instruments**

Held for trading financial assets and liabilities are measured at fair value. Changes in the fair value are recognized in the Statement of Operations and Net Assets. For due from General Revenue Fund and short-term investments, fair value is determined as cost plus accrued income, which approximates market value. Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

d) **Future Accounting Policy Changes**

In December 2009, the Public Sector Accounting Board issued an amendment to the introduction to the Public Sector Accounting (PSA) Handbook. Effective for fiscal years beginning on or after January 1, 2011, other government organizations (OGOs) are directed to PSA standards unless these standards do not meet their users' needs. The Plan has determined the PSA standards are appropriate and will be adopting the PSA standards for the fiscal year ending December 31, 2011.

**3. Due from General Revenue Fund**

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2010 was 0.60% (2009 – 0.47%).

**4. Short-Term Investments**

No short-term investments were held as at December 31, 2010. Investments are purchased through the Treasury and Debt Management Branch of the Ministry of Finance and are subject to the Ministry's investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R-1" rating, as rated by a recognized credit rating service.

**5. Financial Risk Management**

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from the following distinct sources:

	2010	2009
Due from General Revenue Fund	\$2,516,840	\$2,137,304
Employer contributions receivable	40,281	39,261

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The credit risk for short-term investments is managed through a policy that requires investments to meet minimum investment standards as determined by a recognized credit rating agency.

The Plan is exposed to minimal credit risk from the potential non-payment of employer contributions as these are receivables from government agencies and were collected shortly after year end.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Values can be affected by changes in interest rates. The Plan is exposed to changes in interest rates on its short-term investments.

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#### Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets with a very short term to maturity.

### **6. Related Party Transactions**

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contributions receivable are from related parties. Also, in 2010, PEBA charged the Plan \$25,504 (2009 – \$16,039) for administration expenses. Included in accounts payable and accrued liabilities is \$606 (2009 - \$0) due to PEBA. Prepaid expenses of \$2,199 were due from PEBA as at December 31, 2009.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

### **7. Budget**

PEBA prepares the budget for approval by the Advisory Committee.









